RECORD AND BRIEF

Supreme Court, U.S.
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No. 15-1189

In the Supreme Court of the United States

IMPRESSION PRODUCTS, INC.,

Petitioner,

v.

LEXMARK INTERNATIONAL, INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

SUPPLEMENTAL BRIEF FOR PETITIONER

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SUPPLEMENTAL BRIEF FOR PETITIONER

The brief filed by the Solicitor General confirms that both questions presented warrant this Court's review. Lexmark's supplemental brief largely reprises the arguments in its Brief in Opposition, which were addressed in detail in our Reply Brief and again in the government's brief. They provide no basis for denying review.

A. The conditional sale question.

First, the conditional sale issue is plainly important. The United States unequivocally explains that the ruling below "threaten[s] the viability of secondhand markets in patented goods at substantial cost to the public interest." U.S. Br. 14. The *amici* detail these severe policy repercussions at length. Cert. Reply 4-5.

Lexmark's answer (Lexmark Supp. Br. 3) is a reference to the decision below, which in turn asserted that "*Mallinckrodt* has been the governing case law since 1992." Pet. App. 60a. But the validity of *Mallinckrodt* has been uncertain at least since this Court's decision in *Quanta Computer, Inc.* v. *LG Elecs., Inc.*, 553 U.S. 617 (2008). Indeed, the district court *in this case* agreed with and adopted the proposition "that *Quanta* overruled *Mallinckrodt* sub silentio." *Id.* at 151a. And other courts, commentators, and the marketplace as a whole had long viewed *Mallinckrodt* a dead letter. See Cert. Reply 4 (citing relevant portions of *amicus* briefs). There are no legitimate "reliance interests" (Lexmark Supp. Br. 3) to the contrary.[1]

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[1] Lexmark is thus wrong to assert that "this Court has consistently rejected" the government's position on the conditional sale

Second, the United States details how the decision below "conflicts with this Court's decisions" (U.S. Br. 6), most notably this Court's decision in *Univis*. See *id.* at 7, 8, 10, 11. We too explained at length how the lower court's decision is incompatible with *Univis*. See Pet. 14-15; Cert. Reply 7. Lexmark no longer even attempts to refute this reasoning—its supplemental brief does not even cite *Univis*.

Third, Lexmark tries mightily (at 5-7) to invent a disagreement between Impression and the United States regarding the application of the exhaustion doctrine to sales by patentees and licensees. As we explained (Cert. Reply 8-9), an "authorized" sale is the precondition for the application of the first-sale doctrine, and the patentee determines when a sale is authorized.

If the patentee itself sells the good, its decision to make the sale establishes the requisite authorization. If the patentee licenses another to sell the good, the patentee may define the range of transactions in which the licensee is authorized to make a first sale. See Pet. 16-18; Cert. Reply 8-9. A sale complying with those criteria qualifies as "authorized." Following an authorized sale by the patentee or by a licensee, patent exhaustion applies identically, regardless of whether the patentee or licensee sold the good.

The government advances this same position. U.S. Br. 11-14. And that is the clear holding of *General Talking Pictures*. Pet. 17; Cert. Reply 6-7. It is Lexmark, and the majority below, that have blurred

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doctrine. Lexmark Supp. Br. 2. Multiple courts concluded that this Court's ruling in *Quanta endorsed* the government's view. See AMDR Br. 17. At the very least, this Court has never "rejected" it.

the clear line between licensing and authorized sales. Cert. Reply 8-9; U.S. Br. 12-14.

B. The international exhaustion question.

First, this Court would create additional confusion if it were to address the conditional sale doctrine without also addressing international exhaustion. The two questions involve the same legal principle—exhaustion—and the Court's application of that principle to resolve one question will inevitably affect the analysis of the other. As the government put it, "if the Court grants review on the first question presented, it would be particularly appropriate to decide the second as well, so that the regulated community and the lower courts are not left to speculate about the implications for international patent exhaustion of the Court's domestic-exhaustion analysis." U.S. Br. 23.

Second, Lexmark does not contest the United States' conclusion that, "[i]n light of the increasingly transnational nature of global commerce, the question whether and under what circumstances a patentee retains U.S. patent rights when authorizing a foreign sale is important, as the many amicus briefs addressing the issue demonstrate." U.S. Br. 22. Indeed, the *amici* describe in detail the adverse effects of the ruling below. See Cert. Reply 11.

Third, the United States' explanation that "the court of appeals decided th[is] question incorrectly" (U.S. Br. 15) is reason enough to grant review. To be sure, while Impression and the government agree that the Federal Circuit erred, they offer different views of the proper standard. That counsels in *favor* of review, as it ensures the Court will receive argument supporting each of the possible legal rules.

Lexmark's assertion that it "would prevail even under the government's rule" (Lexmark Supp. Br. 12) is nothing short of incredible. According to the government, "U.S. patent rights are exhausted unless they are expressly reserved as part of a foreign sale." U.S. Br. 12. Although Lexmark asserts that it "*did* reserve those rights" (Lexmark Supp. Br. 12), the *en banc* majority's decision rested on "the premise that Lexmark made the foreign sales without communicating a reservation of U.S. patent rights." Pet. App. 63a. Lexmark cannot avoid review by contesting—for the very first time—a key fact relied upon by the court below.

In any event, Lexmark is wrong on the facts. Lexmark's *en banc* brief merely says it targeted "regions," making its cartridges compatible with certain regional printers and using region-specific packaging. ECF 236, at 26. Nothing about such regional targeting shows that Lexmark "*expressly* reserve[d]" its "U.S. patent rights," as the government's position requires. U.S. Br. 15 (emphasis added).

Fourth, Lexmark's argument on the merits relies almost entirely on *Boesch* v. *Graff*. It cites *Boesch* in an attempt to avoid the clear holdings of *Kirtsaeng* and *Quanta*. Lexmark Supp. Br. 8-9. It looks to *Boesch* when addressing pre-Federal Circuit authority. *Id.* at 9. And it invokes *Boesch* to dispute the government's presumptive-exhaustion rule. *Id.* at 11-12.

But Lexmark flatly misunderstands *Boesch*. As the United States correctly observes, the *Boesch* "Court had no occasion to decide whether, or under what circumstances, a foreign sale that is made or authorized by the U.S. patent holder * * * will exhaust U.S. patent rights"—because there was no such authorization in that case. U.S. Br. 17-18. See

also Cert. Reply 12. And the dissent below agreed. Pet. App. 125a-126a. *Boesch* therefore does not undermine the clear common-law rule identified by *Kirtsaeng*, *Quanta*, and scores of lower-court decisions.[2]

Once *Boesch*'s irrelevance is clarified, Lexmark has no means of escaping the plain holding of *Kirtsaeng*. That decision was clear on its face: the Court held that the common-law exhaustion principle applies without regard to the country of sale—and nothing about that reasoning was unique to copyright. Cert. Reply 12. The order in which the Court "examined" the relevant considerations at issue in *Kirtsaeng* (Lexmark Supp. Br. 8) is wholly immaterial to its articulation of the common law. And the absence from the Patent Act of any provision limiting the common law rule means that the common law rule governs. Pet. 24-27; Cert. Reply 12.

CONCLUSION

The petition for a writ of certiorari should be granted.

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[2] *Daimler Manufacturing Co.* v. *Conklin*, 170 F. 70, 72 (2d Cir. 1909), is not to the contrary. See Lexmark Supp. Br. 9. There, similar to *Boesch*, the defendant purchased a car from "the holder of European patent rights"—which was "*distinct from* the U.S. patent-holding company." Pet. App. 93a. As Judge Dyk explained in dissent, the "foreign sale was not authorized by [the] U.S. patent holder." Pet. App. 127a. Indeed, just 11 years later, the Second Circuit distinguished *Daimler* as a case in which there was "no participation whatever by the owner of the patent." *Curtiss Aeroplane & Motor Corp.* v. *United Aircraft Eng'g Corp.*, 266 F. 71, 77 (2d Cir. 1920). *Curtiss Aeoroplane*, moreover, explained that foreign sales *do* exhaust U.S. patent rights—a decision wholly incompatible with Lexmark's position to the contrary. *Id.* at 78. See Pet. 28-30 (discussing cases).

Respectfully submitted.

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